

# Friends of Nachusa Grasslands

Financial Statements

Year Ended June 30, 2020



**WIPFLI**

## **Independent Auditor's Report**

Board of Directors  
Friends of Nachusa Grasslands  
Franklin Grove, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Friends of Nachusa Grasslands (a nonprofit organization), which comprise the statement of financial position - modified cash basis as of June 30, 2020, and the related statements of activities - modified cash basis, cash flows - modified cash basis, and functional expenses - modified cash basis for the year then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Basis for Qualified Opinion**

As described more fully in Note 1 to the financial statements, the Organization has elected to report investments at fair value, which is a departure from the modified cash basis method of accounting. Quantification of the effects of that departure on the financial statements is not practicable as the cost of the investments is not accounted for.

## **Qualified Opinion**

In our opinion, except for the effects of the matter discussed in the basis for qualified opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of Nachusa Grasslands as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States. Our opinion is not modified with respect to this matter.

*Wipfli LLP*

Wipfli LLP

Rockford, Illinois

January 27, 2021

**Friends of Nachusa Grasslands**  
**Statement of Financial Position - Modified Cash Basis**  
As of June 30, 2020

<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 40,562
Total current assets	40,562
Investments:	
Beneficial interest in assets held by Community Foundation of Northern Illinois	1,457,033
Beneficial interest in assets held by The Nature Conservancy	742,896
Total Investments	2,199,929
Total assets	\$ 2,240,491
<b>Net Assets</b>	
Net assets:	
Without donor restrictions	
Undesignated	\$ 40,562
Board designated-endowment at The Nature Conservancy	170,748
Total Net assets without donor restrictions	211,310
With donor restrictions	2,029,181
Total net assets	2,240,491
Total net assets	\$ 2,240,491

See accompanying notes to financial statements

**Friends of Nachusa Grasslands**  
**Statement of Activities - Modified Cash Basis**  
Year Ended June 30, 2020

	Without Donor Restrictions		With Donor Restrictions		Total
	Undesignated	Board Designated			
<b>Support and Revenue:</b>					
Program Income	\$ 2,151	\$ -	\$ -	\$ -	\$ 2,151
Donations	-	-	291,111	-	291,111
Grants	-	-	115,500	-	115,500
Investment income	-	-	62,622	-	62,622
Total support and revenue	2,151	-	469,233	-	471,384
Other Income	47,533	4,122	-	-	51,655
Net assets released from restriction	200,721	-	(200,721)	-	-
Total revenue	250,405	4,122	268,512	-	523,039
<b>Expenses</b>					
Program services:					
Program expenses	236,609	-	-	-	236,609
Supporting services:					
Management and general	10,290	-	-	-	10,290
Fundraising expenses	1,878	-	-	-	1,878
Total supporting services	12,168	-	-	-	12,168
Total expenses	248,777	-	-	-	248,777
Net change in net assets	1,628	4,122	268,512	-	274,262
Net assets, beginning of year, as previously reported	38,934	143,511	1,760,669	-	1,943,114
Prior period adjustment	-	23,115	-	-	23,115
Net assets, beginning of year as restated	38,934	166,626	1,760,669	-	1,966,229
Net assets, end of year	\$ 40,562	\$ 170,748	\$ 2,029,181	\$ -	\$ 2,240,491

See accompanying notes to financial statements

# Friends of Nachusa Grasslands

## Statement of Cash Flows - Modified Cash Basis

Year Ended June 30, 2020

	2020
<b>Cash Flows From Operating Activities</b>	
Change in net assets	\$ 274,262
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Contribution to beneficial interest in endowment	(275,000)
Distribution from beneficial interest in endowment	69,110
Net cash provided by operating activities	68,372
<b>Cash flows from investing activities</b>	
Purchase of investments	(66,744)
Net cash used in investing activities	(66,744)
Increase in cash and cash equivalents	1,628
Cash and cash equivalents	
Beginning	38,934
Ending	\$ 40,562

See accompanying notes to financial statements

**Friends of Nachusa Grasslands**  
**Statement of Functional Expenses - Modified Cash Basis**  
Year Ended June 30, 2020

	Program	Management and General	Fundraising	Total
Science Grants and Symposium	\$ 52,557	\$ -	\$ -	\$ 52,557
T-Shirt Expenses	2,492	-	-	2,492
Professional Expenses	-	7,500	-	7,500
Nachusa Operations via TNC	37,718	-	-	37,718
Restoration	31,913	536	1,878	34,327
Other Expenses	45	-	-	45
Development Expenses	11,246	-	-	11,246
Grants to Other Organizations	100,500	-	-	100,500
Insurance	-	2,254	-	2,254
Government Fees	138	-	-	138
<b>Total functional expenses</b>	<b>\$ 236,609</b>	<b>\$ 10,290</b>	<b>\$ 1,878</b>	<b>\$ 248,777</b>

See accompanying notes to financial statements

# Friends of Nachusa Grasslands

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies

#### Nature of Operations

Friends of Nachusa Grasslands (the "Organization") is a 501(c)(3) not for profit organization founded in 2008 by volunteers dedicated to providing for the long-term care and management of Nachusa Grasslands. The Nature Conservancy (TNC), a nonprofit conservation organization, owns and operates Nachusa Grasslands. The mission of the Friends of Nachusa Grasslands is to build endowments that will help defray the cost of natural areas management, staff and operating expenses; conduct and encourage stewardship; and support education and scientific activity at the preserve. These endowed funds will support the conservation and preservation of native plants, animals, and natural communities by providing for long-term stewardship at Nachusa Grasslands.

#### Basis of Accounting

The financial statements of the Organization are prepared on a modified basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States (GAAP). This basis of presentation differs from GAAP in that certain revenues are recognized when received rather than earned and certain expenses are recognized when paid rather than when the obligation is incurred. Specifically, the variances from GAAP include omission of receivables, accounts payable, and accruals. Such variances are presumed to be material. However, similar to financial statements prepared in accordance with GAAP, these financial statements reflect the fair market value of the beneficial interest in assets, which is a departure from the modified cash basis. The accompanying financial statements are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States.

#### Net Assets

Net assets and revenue, expense, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, a board designated quasi-endowment.

Net assets with donor restrictions: net assets subject to donor or certain grantor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time, long-lived assets placed in service, or other events specified by the donor. Other explicit donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

# Friends of Nachusa Grasslands

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most sensitive estimates are those related to the valuation of investments in assets held in trust at CFNIL and TNC.

#### **Property and Equipment**

Property and equipment are recorded at acquisition cost or fair market value on the date of the gift for donated assets. Equipment, furniture and fixtures, land improvements, improvements and buildings are depreciated on the straight line method over its estimated useful life. Equipment, furniture and fixtures not exceeding \$2,500 in value are charged to expense in the year of purchase and not recorded as an asset. Maintenance and repairs are charged to expense and not recorded as an asset. Major renewals and betterments which extend the useful lives of assets are capitalized. At year end, the Organization owned no property and equipment.

#### **Revenue Recognition**

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization.

#### **Expense Allocation**

The costs of providing the various programs and activities have been summarized on a functional basis in the schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

These allocations are based on job duties, grant restrictions, positions, and percentages of overall expenses to various expense accounts.

#### **Investments**

The Organization carries beneficial interest in assets held by The Nature Conservancy and the Community Foundation of Northern Illinois with readily determinable fair values in the statement of financial position.

# Friends of Nachusa Grasslands

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Investments** (Continued)

Quoted market prices in active markets are used as the basis of measurement. Net investment income (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. Investment income or loss and unrealized gains or losses are included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

# Friends of Nachusa Grasslands

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Statement of Cash Flows**

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to cash with a maturity of three months or less.

#### **Income Taxes**

The Organization is a nonprofit organization exempt from taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the financial statements. The Organization, however, if it should receive any unrelated business income, would not be exempt from income taxes on such income.

#### **Pending Accounting Pronouncements**

In 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in ASU No. 2018-08 will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in ASU No. 2018-08 are effective for annual financial statements issued for the fiscal years beginning after December 15, 2019, for transactions in which the entity serves as the resource recipient. Early application of the amendments in ASU No. 2018-08 is permitted. The Organization has not elected to early implement the amendments.

#### **Subsequent Events**

The Organization's management has evaluated events and transactions for potential financial statement recognition or disclosure through January 27, 2021, which is the date the financial statements were available to be issued.

### **Note 2: Concentration of Credit Risk**

The Organization maintains cash balances at financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At certain times during the year, cash balances may be in excess of FDIC coverage. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

# Friends of Nachusa Grasslands

## Notes to Financial Statements

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### Note 3: Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

*Year Ended June 30, 2020*

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Cash and cash equivalents	\$ 40,562
Investments in Beneficial Interests Held	2,199,929
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Subtotals financial resources	2,240,491
Less - donor restricted and board designated endowment fund	(2,199,929)
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Total financial resources available for general expenditure within 12 months	\$ 40,562
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Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Although not expected to be needed for paying for general expenditures, the expendable yet designated portion of the Organization's financial assets could be used to meet cash needs, if necessary.

### Note 4: Fair Value Measurements

Current accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy under current accounting standards are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include; quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

# Friends of Nachusa Grasslands

## Notes to Financial Statements

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### Note 4: Fair Value Measurements (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value.

Money market, bond and equity mutual funds: Valued at the net asset value (NAV) of shares held by the Plan at year end.

Beneficial Interest in Perpetual Trust: Valued at the beneficial interest in assets held at the Community Foundation of Northern Illinois (Foundation) and TNC at the fair value of the Organization's share of the investment pool as of the measurement date. The Foundation's investments are composed approximately of 35% domestic equities, 30% foreign stocks, 25% bonds and 10% alternative investments including hedge funds, real estate and private equity funds. The beneficial interest in assets held at TNC are managed by independent investment managers. To maintain prudent diversification and to manage risk, TNC portfolio is divided among 55 to 65 separate managers. To mitigate concentrations of credit risk, TNC's excess cash is invested in high quality institutions, the largest concentrations of which are invested in certificates of deposit (45%), corporate bond and notes (26%), and U.S. Commercial papers (23.4%).

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis (Level 2) within the fair value hierarchy at June 30, 2020:

Beneficial Interest in Perpetual Trust - CFNIL	\$ 1,457,033
Beneficial Interest in Perpetual Trust - TNC	742,896
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Total	\$ 2,199,929

### Note 5: Major Funding Source

The Organization receives the majority of its revenues from donor contributions, grants, and distributions from endowments. If these funding sources were to be reduced, they would significantly impact the operations of the Organization.

# Friends of Nachusa Grasslands

## Notes to Financial Statements

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### Note 6: Beneficial Interest in Assets Held

In May 2014, the Organization transferred \$100,000 from its investment portfolio to the Community Foundation of Northern Illinois (CFNIL) to establish an endowment fund. Donors and the Organization continue to transfer funds into this endowment fund and it is perpetual in nature. Under the terms of the trust agreement, the Organization receives a quarterly distribution equal to the investment return generated by the assets. The Organization granted variance power to the CFNIL, which allows the CFNIL to modify any condition or donor restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the CFNIL's Board of Directors, such donor restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the CFNIL for the Organization's benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities. At June 30, 2020, the endowment fund has a fair value of \$1,457,033, which is reported in the statement of financial position as beneficial interest in assets held by others with distributions and changes in fair value recognized in the statement of activities.

The Organization established a quasi-endowment and a donor restricted endowment that is perpetual in nature with The Nature Conservancy (TNC). The amount of endowment income provided each year for operations is established by TNC through its adoption of an annual endowment spending rate and spending rate base. The spending rate for the year ended June 30, 2020 was 5.0% of the average fair market value for the 60 months of calendar years 2013 through 2017. At June 30, 2020, the endowment fund has a fair value of \$742,896, which is reported in the statement of financial position as beneficial interest in assets held by others.

### Note 7: Endowment Funds and Quasi-endowment Funds

As of June 30, 2020, the Board of Directors had designated \$170,748 of net assets without donor restrictions as a general endowment fund in TNC to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

The Organization's management has interpreted the Illinois Prudent Management of Institutional Funds Act (IL UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulations is added to the fund. The remaining portion of the donor-restricted endowment fund is also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by IL UPMIFA. In accordance with IL UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

# Friends of Nachusa Grasslands

## Notes to Financial Statements

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### Note 7: Endowment Funds and Quasi-endowment Funds (Continued)

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

The primary long-term financial objective for the Organization’s endowments is to preserve the real purchasing power of endowment assets and income after accounting for endowment spending and costs of portfolio management. Performance of the overall endowment against this objective is measured over rolling periods of one, three, and five years.

The endowment funds are managed to optimize the long run total rate of return on invested assets, assuming a prudent level of risk. The goal for this rate of return is one that provides funding for the Organization’s existing spending policy. Over the short term, the return for each element of the endowment portfolio should match or exceed each of the returns for the broader capital markets in which assets are invested.

The endowment assets are governed by a spending policy that seeks to distribute a specific payout rate of the endowment base to support the Organization’s programs. Spending in a given year will reduce the unit value of each endowment element by the payout percentage. In the case of short-term declines in the market value of the endowment pool of funds, the overall spending rate may be calculated below the designated payout percentage in order to maintain the original unit value of certain elements of the true endowment. Growth of the unit values over time should allow for spending of principal, without drawing from the original corpus of a particular gift.

Composition of endowment net assets for the year ended June 30, 2020, were as follows:

June 30, 2020	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds - CFNIL	\$ -	\$ 1,457,033	\$ 1,457,033
Donor-restricted endowment funds - TNC	170,748	572,148	742,896
<b>Total</b>	<b>\$ 170,748</b>	<b>\$ 2,029,181</b>	<b>\$ 2,199,929</b>

# Friends of Nachusa Grasslands

## Notes to Financial Statements

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### Note 7: Endowment Funds and Quasi-endowment Funds (Continued)

Changes in endowment net assets for the year ended June 30, 2020, are as follows:

June 30, 2020	Without Donor Restriction	With Donor Restriction	Total
Balance, June 30, 2019	\$ 166,626	\$ 1,760,669	\$ 1,927,295
Investment income	-	62,622	62,622
Contributions and grants	-	406,611	406,611
Appropriations pursuant to spending rate policy	4,122	(200,721)	(196,599)
<b>Balance, June 30, 2020</b>	<b>\$ 170,748</b>	<b>\$ 2,029,181</b>	<b>\$ 2,199,929</b>

### Note 8: Prior Period Adjustment

The financial statements as of and for the year ended June 30, 2020, have been restated to correct errors that were detected during the audit for the year ended June 30, 2020.

Beginning without donor restricted net assets were increased \$23,115 for the June 30, 2019 balance in The Nature Conservancy to adjust for a revision in the calculation provided for the fair market value of the beneficial interest in assets held by TNC.